



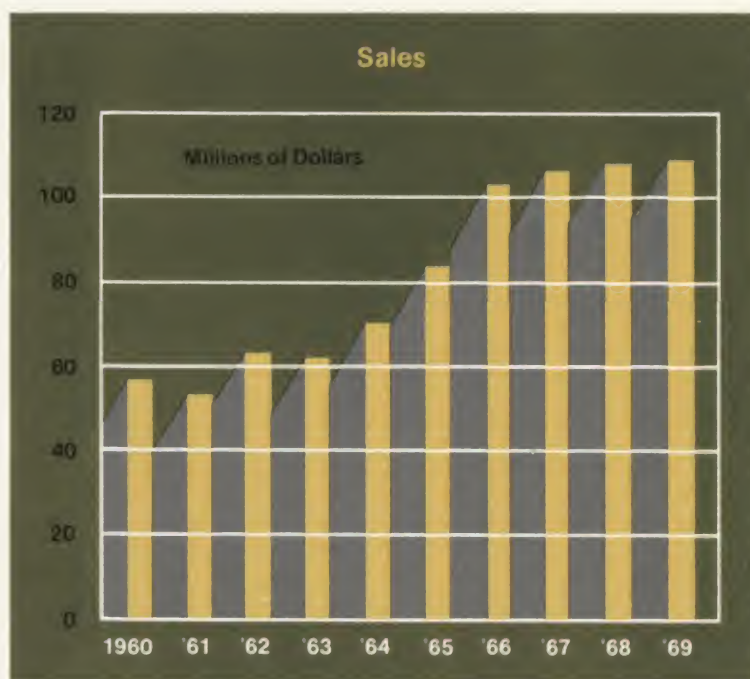
*OUR SYMBOL for a potent new force
in production systems... **Acme-Cleveland***

Acme-Cleveland Corporation • 1969 Annual Report

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CORPORATION FILE



FINANCIAL HIGHLIGHTS



	Year Ended	
	Sept. 30, 1969	Dec. 31, 1968
Net Sales	\$109,828,000	\$109,391,000
Net Earnings Before Income Taxes	16,208,000	17,630,000
Income Taxes	8,290,000	8,779,000
Net Earnings	7,918,000	8,850,000
Net Earnings Per Share	2.05	2.22
Net Earnings to Net Sales	7.2%	8.1%
Capital Expenditures	5,681,000	6,469,000
Depreciation	3,052,000	3,276,000
Number of Shareholders	8,097	6,883
Number of Employees	5,402	5,414



REPORT TO SHAREHOLDERS



Raymond E. Channock

Arthur S. Armstrong

Most of the increase in our country's gross national product during 1969 reflects higher prices rather than more goods and services. Fortunately the fiscal and monetary restraints imposed by our Federal Government appear at long last to be cooling our overheated economy. Taming inflation is a painful process. It means lower capacity-utilization. It means a squeeze on profits. It means resistance both to higher prices and to excessive wage demands. It can mean a rash of strikes. We believe the present administration in Washington is determined to stick with its policies of restraint until the annual rate of inflation is sharply reduced.

As previously announced our fiscal year end has been changed to September 30th. During the fiscal year which ended September 30, 1969 our total revenues were \$111,582,188 — a slight increase over the figure reported at last year's Shareholders' Meeting for the twelve month period which ended December 31, 1968. Net earnings amounted to \$7,917,859 compared with \$8,850,442 reported for calendar 1968. This amounts to \$2.05 per average share outstanding compared with \$2.22 per average share outstanding during the earlier period.

In view of steadily rising costs throughout this inflationary period and of high tax rates and of high interest rates, we consider this performance satisfactory.

It is interesting to note from the sales breakdown chart that "Expendable Tools" accounted for 53.6% of our total sales, and "Parts" for an additional 10.4%. The "Capital Equipment" portion, therefore, accounted for 36%.

It is interesting also to know that revenue obtained outside our country amounted to nearly fifteen million dollars or 13.3% of the total. Foreign demand for our kinds of products is growing, and we are earning an increasing share of the available business. The performance of our British subsidiaries has been very gratifying. In the cutting tool field we now have new, fast-delivery facilities in Glasgow, Scotland; Maastricht, The Netherlands; and

Toronto, Ontario. In situations where rapid deliveries are imperative, these facilities should make us more competitive than we have been from our principal foreign plant in Northern Scotland. Furthermore, this rapid service should stimulate the already strong demand for the kinds of cutting tools which are mass-produced there. We are enlarging the size and scope of our manufacturing facility in Pachuca, Mexico. These recent investments have been a burden on current earnings. However, we are confident that once they are solidly established, they will make substantial contributions to the profitability of our Corporation.

In the capital equipment field the problems and opportunities abroad are similar. One of our near-term objectives is the establishment outside our country of manufacturing facilities for those National Acme products which are known worldwide.

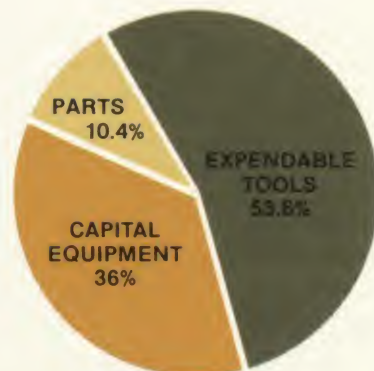
We have established a new Threading Tools Division and have made it responsible for selling all tools of this type manufactured throughout our Corporation. In this way we expect to do a better job of helping customers whatever their threading problems may be.

Both our Foundry Equipment Division and our Electrical Controls Division had improved sales and profits. We are exploring ways of broadening the product lines offered by these divisions.

Successful companies in the metalworking field believe in the old adage "modernize or perish." They know that modernizing is not a one-shot operation. They know that obsolescence is a greater threat to their investment in machinery and equipment than are wear and tear. They have learned that expensive, complicated equipment must be operated at peak performance on a multi-shift basis if the investment is to prove wise. And they have learned that to reach peak performance tools of the highest quality are essential.

As users of machinery and equipment we plan this year, and as far into the future as one can see, to

Sales Breakdown
1969



invest in improved machinery and equipment substantially more than our depreciation accruals in our continuing efforts to reduce our costs.

The Bureau of the Census has this to say about one of industry's most pressing problems. "In manufacturing the index of labor cost per unit of output has skyrocketed from a low of 98.6% in July, 1965 (1957-59 equals 100) to 115.1% in September of this year. The current trend is severely upward. The first half of 1969 is said to have been the first prosperous period in our history when productivity has not increased."

As manufacturers of capital equipment and of expendable tools of the highest quality, we are eager to help the users of our products in their battle for survival. Our Corporation should be busy for a long time to come.

We should like to express our gratitude to Messrs. Ralph S. Schmitt and T. Laurence Strimple, both long-term officers and directors of our Corporation, who have retired since our last Shareholders' Report. At the same time we should like to welcome Mr. Carleton Blunt, Mr. Fred M. Borwell and Mr. Stephen DuBrul, Jr., who have joined our Board since that time.

We are grateful to our shareholders for their continuing loyalty and interest, and we express our appreciation to our customers and employees and suppliers for their important contributions to our progress. The future looks good to us.

Arthur S. Armstrong

Arthur S. Armstrong
Chairman of the Board and
Chief Executive Officer

Raymond E. Channock

Raymond E. Channock
President
December 10, 1969



YEAR IN REVIEW / PRODUCTION SYSTEMS FOR INDUSTRY



Capability is craftsmanship...

machines...

Total Machining Capability

Compatible products of Acme-Cleveland companies are offered in production systems for machining an almost infinite variety of materials... from ductile plastic up to the super-tough space age metals. A complete line of cutting tools and the production machines which drive them enable us to supply industry's entire metalworking universe. Our company is a trend-maker.

As an international leader in the total machining art, we provide the master tools for industry. Our products shape other components which go into countless thousands of still other machines producing for complex world markets.

Our system-oriented approach to machining satisfies sophisticated requirements for production combinations of quality, precision and high volume. Acme-Cleveland machines and tools are capable of mass production of precision identical parts in a process controlled from start to finish by built-in sequential programming.

Cutting Tools

Cleveland Twist Drill tools for precision machining are dominant in the world of metalworking. Drills, reamers, end mills and other cutting tools in over 30,000 options of size, geometry and function play a significant part in an immense variety of production systems.

A recently introduced coolant feeding drill can improve production rates ten times... a solid carbide drill, capable of operating at speeds above 100,000 revolutions per minute, finds immediate application in drilling circuit boards for the electronics industry... our development of the smallest oil feeding drills in the world has created an exclusive market for this type of tool.

Ninety-three years of background in cutting tools equips Cleveland Twist Drill with unique extremes in capability. We can drill microsize holes in solid

cutting tools...



state electronic components or machine massive but precise bites out of axle housings for giant earthmoving equipment. We use the skills of our metalworking craftsmen to create intricate tool geometries or we turn to the computer to both design tools and issue the production commands to build them.

Our tools were among the first to hurdle the machining barrier in titanium and emerging super-tough alloys... and we were ready for the challenge of the special quality and performance standards required in numerically-controlled production. These are a few of the reasons we are among the technical innovators in our industry.

Machine Tools

National Acme is the world's largest manufacturer of multiple-spindle, automatic bar and chucking machines for automation of production processes. These machines, together with combinations of accessories, attachments and specially developed tooling, are involved, at some point, in virtually all of the manufacturing done in the world. Teamed with cutting tools in production systems, our equipment will drill, bore, turn, grind, mill, form, broach and perform scores of other machining operations.

Keyed to high volume and automatically programmed production, National Acme machines meet the exploding needs of consumer and industrial markets for precision parts by the millions. Our products are a necessity in an economy which must provide more goods for more people at competitive prices.

This past year we marketed a 2-3/8" high-speed chucking machine and a 5/8" six-spindle bar machine to provide competitive units for both primary and secondary production operations.

Customers call on us for a total answer to their problems... recommending a machine, designing the tooling, placing the equipment in operation, machining prototype parts under production conditions before final delivery.

In addition to supplying complete production systems, we market components which can be

adapted to a customer's existing machine tool equipment. Applications are only limited by the imagination of tool and process engineers.

Furthering Market Penetration

In addition to our heavy involvement in building production systems for automotive, aerospace, farm machinery, earth-moving equipment, home appliance industries and others, we have moved rapidly into the expanding markets for electronics, miniaturization, solid state, space vehicles, computers and advanced aircraft.

The ability of Acme-Cleveland to respond to buying pressures quickly and efficiently anywhere in the world provides the value added by product availability. Our successful marketing programs feature the team efforts of an international network of key industrial distributors.

The dramatic growth of our population has spurred consumer demands in industries which are major users of our products. Automobiles, appliances and hundreds of other products for the home are produced with the help of Cleveland Twist Drill cutting tools and National Acme machines.

Acme-Cleveland has the products, the people and the systems for building sales volume in a growing marketplace.



meeting needs of diversified markets.

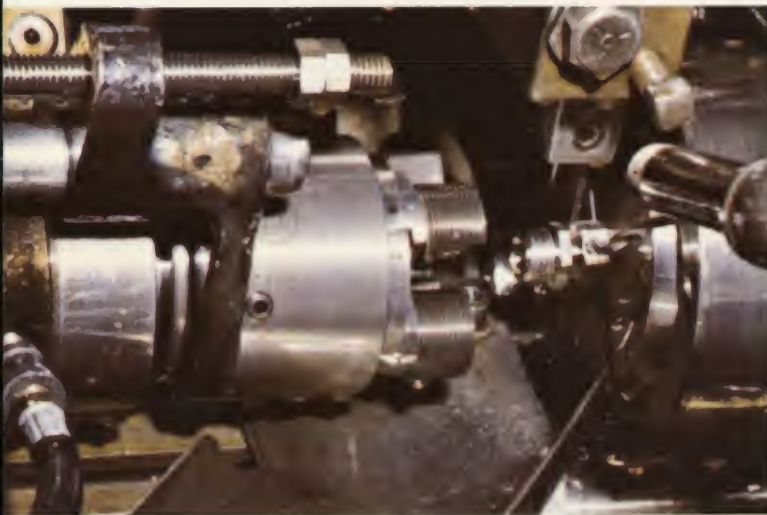


people and systems...





Production systems use taps and die heads to cut or roll precision threads ...



Broad Horizons in Threading

Acme-Cleveland can thread any material that is machinable. Threaded parts play a major role in fastening the products of the world. Our tools perform threading operations indispensable in most of the manufacturing done today...these threads can be internal and external, cut and rolled, straight, tapered, through-hole or blind-hole, from miniaturized threads to coarse threads up to eighteen inches in diameter.

Our taps, dies, rolling heads, cutting heads, thread rolling and thread cutting machines offer a degree of threading capability that places us among the foremost producers in the world. We cover the spectrum of usage in industry...from the small one-at-a-time producer to the manufacturer whose threading operations require highly automated equipment and tools of unquestioned quality and reliability. We sell the tools, machines and related accessories singly or in compatible, highly integrated production systems.

Our tools, equipment and thread-making technology place us squarely in the midst of all the important growth industries.

Threading Tools

Cleveland Threading Tools Division manufactures literally thousands of different types and sizes of taps and dies for threading parts of plastic, soft metals, high-speed steel and whole families of advanced, super-tough alloys such as titanium and vanadium. In addition, our thread cutting heads and thread rolling heads provide integral operating units which can be used on or incorporated into a customer's existing machine tools for semi-automatic threading operations.

Our products provide tool-to-tool standardization in geometry, strength, steel quality and overall performance characteristics. This is an important factor to those with substantial investments in numerically-controlled equipment where unforeseen failure of cutting tools can have disastrous production results.

from manufacture of delicate instruments to rugged machinery.



Threading Machines

National Acme Division threading machines are widely used in the aircraft, automotive and appliance fields where components and complete products depend upon precision threads for assembly and ultimate utility. This equipment is capable of rapid, efficient and economical threading in manual, semi-automatic or completely automated production systems. Whether cut or rolled, these threads must be produced rapidly and economically to assure the manufacturer of meeting critical production standards.

National Acme's thread-rolling machines are ideal in applications calling for chipless production of high-strength threads. During this production process, metal actually "flows" or is cold forged into the required configuration while producing threads of superior strength and finish.

Other builders of machine tools and special machinery incorporate certain National Acme threading units and components into their own designs. This industry recognition of our engineering advancements multiplies the markets for our threading equipment.

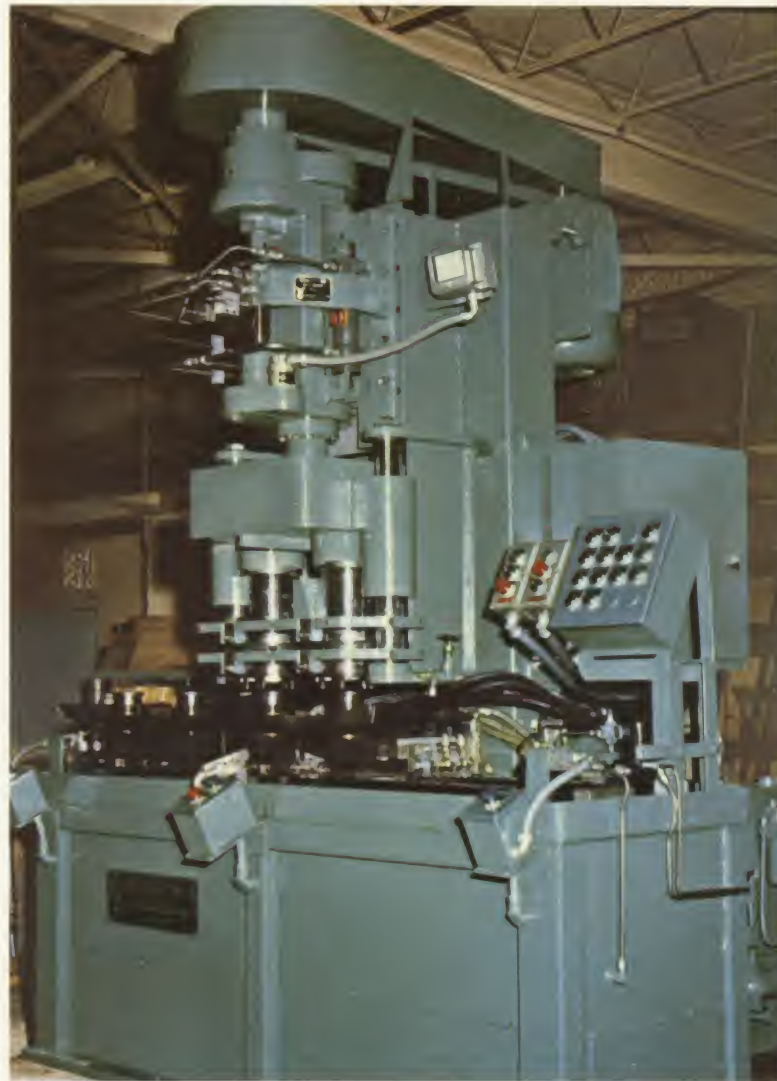
Expanded Service

This past year we centralized the marketing of all our diversified line of threading tool products. This important change involved Vers-O-Tool thread rolling heads and thread cutting heads; H & G Die Heads, Collapsible and Adjustable taps; Bay State taps, dies and gages. Sales and service of these products were unified into a new Threading Tools Division. This offers customers a single, highly responsive source, while providing greater stocking and distribution efficiencies.

To implement the consolidation, a new 43,000 square foot facility has been located in Cleveland, Ohio. This advanced center is linked electronically with all regional stockrooms, threading tool manufacturing sites and our distribution network.

In February, 1969, we opened our new Atlanta Area Stockroom to service the fast-growing southeastern United States. This modern expanded facility provides sales and service on both our threading and cutting tools.

Another new threading tool service has been added with the establishment of a special tap manufacturing operation in Cleveland. Customers can now obtain 24-hour delivery on a wide variety of special taps furnished from this location. Together with off-the-shelf availability of stock taps, this opens whole new areas of business potential.



Critical, high volume production is performed by our custom-engineered threading machines.



Our new centralized Threading Tools Division, linked electronically to our manufacturing plants, speeds customer service.



Electrical Controls

National Acme decided to make its own electrical control devices in the mid-thirties to fill a wide supply gap for electric switches and solenoids that would withstand millions of electrical impulses. Today, we not only use these electrical units on our own products, but market them in high volume to other manufacturers.

All products of our Electrical Controls Division are used as components of automated production systems. They are compatible with all requirements for reliability, sensitivity of response and high quality . . . vital factors to the manufacturing customers we serve.



Our electrical controls can actuate machines . . .

Our limit switches are used in applications from delicate laboratory apparatus all the way to heavy-duty industrial machinery. They are primarily used for controlling operating sequences and counting, gauging and measuring various production functions. We manufacture moisture and oil-tight control switches which provide a broad selection of contact and switching arrangements. Our solenoids perform the basic function of converting electrical energy to mechanical work. These are high-precision, yet powerful, compact units designed to withstand countless repetitive operations. Solenoids are used in thousands of industrial applications to issue operating commands to electrically-operated equipment.

National Acme design engineers in electrical controls find themselves in non-stop product development programs . . . the growing sophistication and complexity of end-use places greater and greater demands on designing and manufacturing ingenuity.

Much of our volume comes from the sale of electrical controls for heavy-duty use on machinery . . . in addition, we are now producing exotic, light-weight units which count, reject substandard parts and perform the many other delicate sensing operations required in today's complex production systems. This new generation of low voltage, low power electrical controls is used on computers and other sophisticated devices involving solid state, printed circuitry and many forms of miniaturization.

and govern operating sequences in nuclear reactor valves.





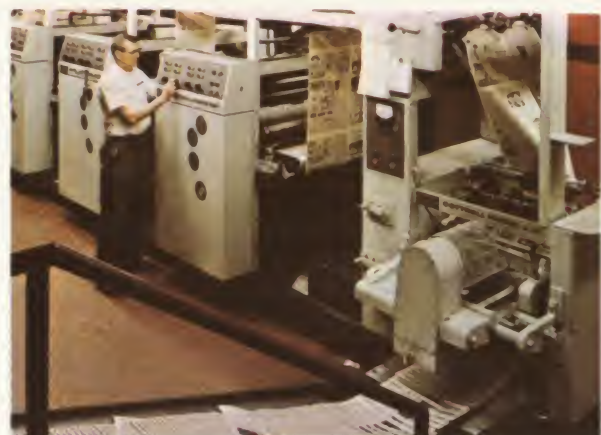
Shalco's unique automatic foundry equipment produces shell cores and molds for engineered castings.

Foundry Equipment

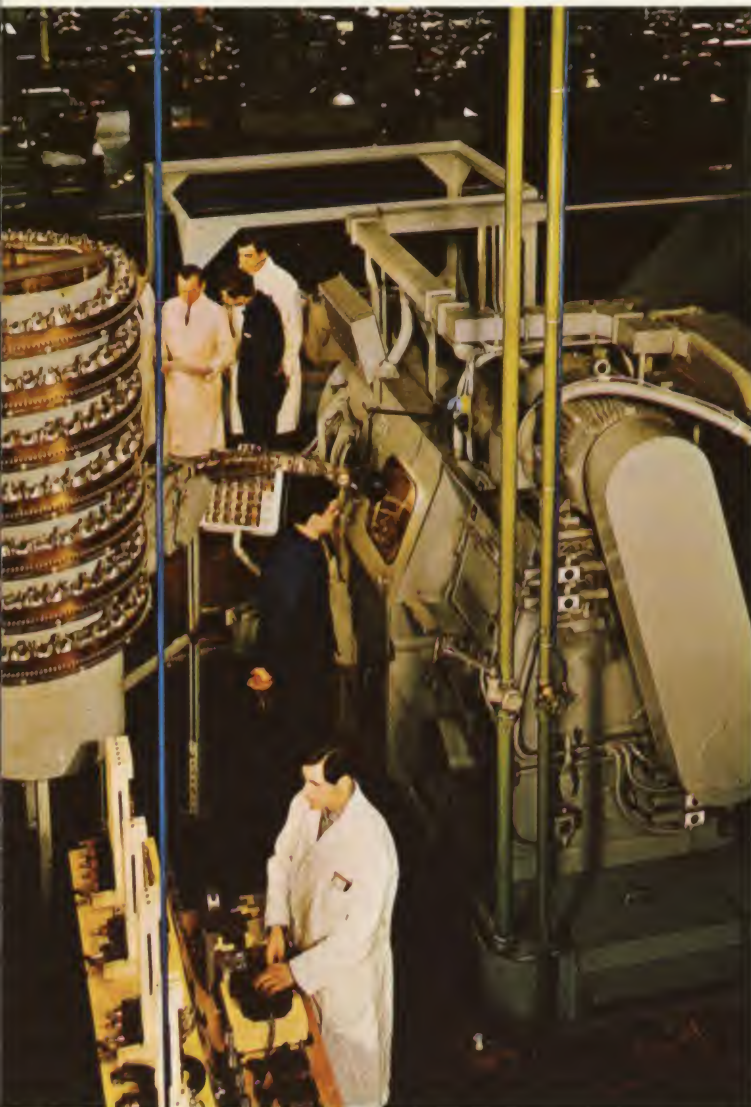
Our Foundry Equipment Division is a major supplier to the metal castings industry. We market a complete line of automatic shell core and shell mold machines and a wide range of accessories. These machines enable customers to produce engineered castings that are more accurate, lighter, dimensionally stable, with smoother surfaces and less costly than castings produced by conventional methods. Our Shalco machines, with their fully automatic features, permit unskilled labor to be quickly trained into proficient operators.

Cores for internal shapes and molds for external shapes, made by our Shalco process offer casting efficiencies which lead to higher volume and consistent high quality. Shalco machines are rapidly replacing traditional methods of producing cores and molds. They deliver a continuous flow of cores or molds, automatically eject them onto a belt conveyor and deliver them to a casting point. Castings are the backbone of thousands of industrial and consumer products... such as automobile and truck engines, aerospace parts, faucet bodies, small gasoline engines, bath tubs, sewing machines, valves, furnaces and water tanks.

The service and engineering capability of our Foundry Equipment Division ranges all the way from the delivery of a single machine to the designing, building and installation of a complete foundry facility for a customer... we do the entire job. This "turnkey" service, keyed to complete responsibility, delivers a thoroughly tested, fully operational facility. The specialized service, products and accessories of the Foundry Equipment Division are available world-wide.



High-speed automated production systems depend on quality castings for total reliability.



Acme-Gridley Machining Center producing engine pistons in European automotive plant



Cleveland Twist Drill Limited plant in Peterhead, Scotland

Acme-Cleveland trademarks are well-known throughout the world. To build on this international reputation and insure a growing share of business from both established and emerging countries, we are well into a vigorous program of expansion. Our planning for involvement in the rapid growth of world markets recognizes the vital importance of worldwide manufacturing. This extension of our domestic capabilities is the best means for increasing product exposure in international markets.

We have fully operational plants in Peterhead and Glasgow in Scotland, Maastricht in The Netherlands, Pachuca in Mexico and in Toronto, Canada. Licensees in England, West Germany and Japan contribute strong manufacturing support to our international operations.

Cleveland Twist Drill Limited operates plants in Peterhead and Glasgow. In Peterhead over 700 people are employed to produce a full line of regular and special drills, reamers, tool bits and other high quality cutting tools. Demand for these products has already outstripped substantial production capacity. The Glasgow Manufacturing Plant of Cleveland Twist Drill Limited went into operation in 1969 to produce special cutting tools such as taps, dies, drills and reamers. The output of both the Peterhead and Glasgow plants supplies the industrial centers of the world.

Cleveland Twist Drill Nederland, N.V. opened a 34,000 square foot plant in Maastricht, The Netherlands, on September 25, 1969. Already operational, it is producing a wide variety of cutting tools for the European Common Market and other countries.

Herramientas Cleveland S.A. from a modern plant in Pachuca, Mexico, will be in a position to serve the rapidly growing cutting tool needs of Central and South America. In 1969 we doubled the size of this location to accommodate heavy demand for our products. This plant is fully equipped with the most advanced production machinery to handle the industrial growth ahead in this area of the world.

Cleveland Twist Drill Canada Ltd. in Toronto completed construction of a modern factory, warehouse and sales office in Toronto late in 1968. The combined 31,000 square foot facility produces cutting tools for the Canadian market. From this location we market complete lines of regular drills, reamers, end mills, taps, dies, tapping heads, die heads, collapsible and adjustable taps. Advanced production techniques provide rapid service on special drills, taps, reamers and other cutting tools.



Cleveland Twist Drill Nederland N.V. opened our Maastricht plant in September 1969

Streamlined handling and shipping procedures speed tools to a network of Industrial Distributors located throughout Canada.

Namco Machinery Ltd. in Luton, England, is a wholly-owned subsidiary which handles National Acme sales in Great Britain. The building of Acme-Gridley bar and chucking machines and accessories is licensed to highly qualified manufacturers in important industrial centers...Pittler Machinenfabrik A.G. in Frankfurt, Germany; Mitsubishi Heavy Industries, Ltd. in Tokyo, Japan; and B.S.A. Tools, Ltd., in Birmingham, England. Also in England, under license to our U.S.A. corporation, B.S.A. Electric, Ltd., Birmingham, manufactures electrical controls and Herbert Small Tools and Equipment, Ltd., Coventry, produces a variety of threading tools.

Our Shalco shell core and mold machines are manufactured in plants in Paris, France, and Frankfurt, West Germany. These strategic locations bring our unique foundry equipment closer to new growth markets.

All Acme-Cleveland products manufactured outside the United States have the same high quality, precision and performance characteristics as the tools and machines produced domestically. A rigid evaluation program enforces uniformly high standards in metallurgy, engineering and production processes.

Machines and tools exported from the U.S.A., along with those manufactured and serviced by foreign subsidiaries and licensees, are penetrating global markets. As more industrial markets grow in importance, Acme-Cleveland international operations will be ready to respond with machines, tools, services and efficient distribution. We look forward to further growth in increasingly sophisticated foreign markets and expansion in developing markets as they emerge. Our worldwide outlook and international operations translate into expanding opportunities. Our strong position in world markets is shown graphically on Pages 12 and 13.

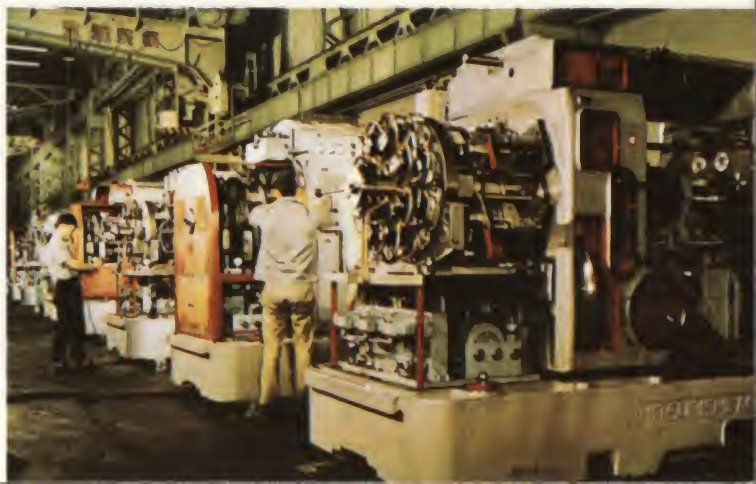


Cleveland Twist Drill Canada's new factory, stockroom and sales office in Toronto



Herramientas Cleveland S.A. in Pachuca, Mexico doubled its plant size in 1969

Mitsubishi, Tokyo manufactures Acme-Gridley bar machines as a licensee





**Anywhere in the World
Acme-Cleveland means Quality
Tools, Machines, Controls for
Production Systems**

From strategically located manufacturing sites, our plants provide key products that penetrate every segment of worldwide machining markets.

Von strategisch gelegenen Herstellungsorten liefern unsere Werke Schlüsselpunkte, die auf weltweiter Basis jedes Gebiet der Maschinenmärkte penetrieren.

Situées en des endroits fabrication stratégiquement choisis, nos usines fournissent des produits de base qui envahissent chaque secteur des marchés mondiaux de produits usines.

Desde puntos de fabricación estratégicamente situados, nuestras plantas producen artículos indispensables para todas las ramas de los mercados mundiales de maquinado.

Da regioni manifatturiere strategicamente collocate, i nostri impianti provvedono prodotti fondamentali che penetrano ogni segmento del mercato mondiale di lavorazione.

De industrias estrategicamente localizados, nossos estabelecimentos proporcionam produtos chave que penetram todos os segmentos da praça mundial de maquinária.

Onze fabrieken, die op strategische punten gevestigd zijn, leveren sleutel producten voor elk onderdeel van de metaal verwerkende industrie in de gehele wereld.

戦略的に設置された製造工場から、われわれのプラントは世界中の金属加工市場のあらゆる部分に浸透している、基本的に重要な製品を提供している。



 PLANT SITES
 MARKETS





RESEARCH AND DEVELOPMENT

Research and development has two aims at Acme-Cleveland... one to provide additional customer benefits on our tools and machines and the other to continually upgrade production equipment for making our own products. We are currently working to develop more advanced controls for our machines to provide greater versatility, accuracy, reliability and quicker set-up by the operator. The development of such controls could also eventually lead to outside marketing through normal sales channels of our Electrical Controls Division.

In response to industry's need for increased productivity and reasonable profits, we are also exploring new avenues for optimum machining systems. Factors of precision, production monitoring, automatic inspection, computer control, and automatic tooling change are only a few of the many areas that are under active study in our engineering laboratories and product prototype departments.

Our research in metallurgy, heat treating, wire drawing and experimental cutting techniques speeds the advance development of cutting tools for machining exotic new materials and for numerically-controlled production.

Because of the great emphasis on production systems, Acme-Cleveland companies are now engaged in joint research in the many design and manufacturing areas which involve coordination of cutting tools, machines and controls. Acme-Cleveland Research and Development capability has already led to substantial improvement in products with economic benefits for customers. All our R & D programs support the tools and machines which solve production problems.





INDUSTRY HALLMARKS

These Acme-Cleveland trademarks are known world-wide to industrial consumers because they identify products associated with high performance. Each symbol represents a tremendous investment . . . in time, money and ingenuity to manufacture tools, machines and other equipment unsurpassed for quality. When an industrial user sees one of these hallmarks, he can expect the best possible product backed by 93 years of integrity.



CLEVELAND TWIST DRILL



NATIONAL ACME

Acme-Gridley

BAR AND CHUCKING MACHINES



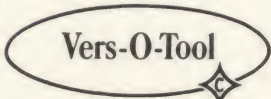
CUTTING TOOLS



TAPS AND DIES

SNAP-LOCK

LIMIT SWITCHES



DIE HEADS

EZY-OUT

SCREW EXTRACTORS



MACHINE TOOLS



DIE HEADS

NAMCO

SOLENOIDS

MO-MAX

TOOL BITS AND
CUT-OFF BLADES

CLE-FORGE

HIGH-SPEED DRILLS

Quick-Set

ADJUSTABLE REAMERS



SHELL CORE BLOWERS
AND MOLDING MACHINES



STATEMENT OF CONSOLIDATED EARNINGS

		Year Ended	
		Sept. 30	Dec. 31
		1969	1968
		(Note E)	
Income	Net sales	\$109,827,768	\$109,390,676
	Other income	1,754,420	1,466,054
	TOTAL INCOME	111,582,188	110,856,730
Costs and expenses	Cost of products sold	71,290,349	70,548,441
	Selling, administrative and general expenses	19,979,626	18,837,644
	Depreciation — Note F	3,051,725	3,276,479
	Interest	864,583	429,593
	Other	188,046	134,749
	TOTAL COSTS AND EXPENSES	95,374,329	93,226,906
EARNINGS BEFORE INCOME TAXES		16,207,859	17,629,824
U. S. and foreign income taxes		8,290,000	8,779,382
Net Earnings		\$ 7,917,859	\$ 8,850,442
Earnings per Common Share		\$2.05	\$2.22

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Sept. 30 1969	Dec. 31 1968
Current Assets		
Cash	\$ 1,468,549	\$ 3,806,324
Marketable securities — at approximate market	1,555,703	— 0 —
Trade accounts and notes receivable:		
Accounts	14,524,827	14,059,906
Notes and installment contracts including amounts due beyond one year (1969 — \$3,240,581; 1968 — \$3,159,336)	6,295,602	6,211,805
	<u>20,820,429</u>	<u>20,271,711</u>
Inventories — Note B		
Work in process and finished products	28,858,020	28,904,432
Raw materials and supplies	5,746,866	5,743,639
	<u>34,604,886</u>	<u>34,648,071</u>
TOTAL CURRENT ASSETS	<u>58,449,567</u>	<u>58,726,106</u>
Less Current Liabilities		
Notes payable to banks	5,575,027	10,624,646
Notes payable to employees	1,486,150	1,620,995
Accounts payable and accrued expenses	6,209,530	4,813,904
Salaries, wages, other compensation and payroll taxes	5,733,341	4,660,792
Federal income taxes	1,190,399	1,891,948
	<u>20,194,447</u>	<u>23,612,285</u>
WORKING CAPITAL	<u>38,255,120</u>	<u>35,113,821</u>
Property, Plant, and Equipment — on the basis of cost		
Land	2,329,989	2,166,270
Buildings	15,148,421	13,707,194
Machinery and equipment	<u>41,231,413</u>	<u>39,733,593</u>
	58,709,823	55,607,057
Less allowances for depreciation	<u>30,978,707</u>	<u>29,720,166</u>
	27,731,116	25,886,891
Other Assets		
Investment in and advances to foreign subsidiary — at cost — Note A	— 0 —	2,110,794
Miscellaneous	2,056,529	1,690,330
	<u>2,056,529</u>	<u>3,801,124</u>
	68,042,765	64,801,836
Long-term Liabilities		
Long-term debt — Note C	802,000	— 0 —
Deferred federal income taxes	331,000	— 0 —
	<u>1,133,000</u>	<u>— 0 —</u>
NET ASSETS — REPRESENTING SHAREHOLDERS' EQUITY	<u>\$66,909,765</u>	<u>\$64,801,836</u>
Shareholders' Equity		
Serial Preferred Shares, without par value:		
Authorized — at September 30, 1969 — 1,000,000 shares — none issued		
Common Shares, par value \$1 per share — Note D:		
Authorized — 10,000,000 shares		
Issued and outstanding — 3,842,172 shares (1968 — 3,832,642 shares) excluding at both dates shares held in treasury (206,600)	\$ 3,842,172	\$ 3,832,642
Other capital	3,278,024	1,565,018
Retained earnings	59,789,569	59,404,176
	<u>\$66,909,765</u>	<u>\$64,801,836</u>

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

	Year Ended Sept. 30, 1969 (Note E)
Working capital at October 1, 1968	\$43,278,013
Sources:	
Net earnings	\$7,917,859
Depreciation	3,051,725
Sales of Common Shares under option plan	157,281
Long-term debt	802,000
Deferred federal income taxes	331,000
	<u>12,259,865</u>
	55,537,878
Applications:	
Dividends paid	5,949,069
Net additions to property, plant, and equipment	5,204,140
Adjustments in connection with pooled company	290,642
Cost of treasury shares acquired from dissenters	5,806,375
Other — net	32,532
	<u>17,282,758</u>
Working capital at September 30, 1969	<u>\$38,255,120</u>

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

	Common Shares		Other Capital	Retained Earnings	Total
	Shares	Amount			
Balance at January 1, 1968	4,006,384	\$4,006,384	\$2,913,209	\$59,483,622	\$66,403,215
Net earnings for the year				8,850,442	8,850,442
Cash dividends — quarterly at \$.25 a share through third quarter and \$.35 thereafter, and a \$.15 extra				(3,460,340)	(3,460,340)
Sale of Common Shares under option plan	9,310	9,310	167,060		176,370
Purchase of a small business	16,548	16,548	343,371		359,919
Common share transactions prior to merger, and other adjustments in connection with pooled company	7,000	7,000	(247,142)	(1,481,253)	(1,721,395)
Purchase of Common Shares for treasury from shareholders who dissented to merger	(206,600)	(206,600)	(1,611,480)	(3,988,295)	(5,806,375)
Balance at December 31, 1968	3,832,642	3,832,642	1,565,018	59,404,176	64,801,836
Net earnings for the year ended September 30, 1969				7,917,859	7,917,859
Deduct net earnings for the transitional three months ended December 31, 1968, which is included in net income of the year ended September 30, 1969 — Note E				(1,912,198)	(1,912,198)
To adjust allocation of the cost of the treasury shares purchased in prior year			1,587,520	(1,587,520)	— 0 —
Cash dividends, quarterly at \$.35 a share				(4,032,748)	(4,032,748)
Sale of Common Shares under option plan	9,530	9,530	125,486		135,016
Balance at September 30, 1969	<u>3,842,172</u>	<u>\$3,842,172</u>	<u>\$3,278,024</u>	<u>\$59,789,569</u>	<u>\$66,909,765</u>

See notes to consolidated financial statements.

Note A—Principles of Consolidation:

The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries. In 1969, the Corporation consolidated a majority-owned, Mexican company, which had not been previously consolidated. The inclusion of the accounts of this company did not have a significant effect on the consolidated financial statements. The accounts of foreign subsidiaries have been translated at appropriate rates of exchange and the resulting gains or losses are reflected in operations.

Note B—Inventories:

Inventories are priced at cost (principally last-in, first-out method of determination) not in excess of replacement market. Such valuations were less than replacement cost of the inventories by approximately \$7,520,000 at September 30, 1969 and \$6,624,000 at December 31, 1968.

Note C—Long-term Debt:

Represents various long-term debt arrangements of certain foreign subsidiaries. These borrowings mature at various dates to 1981 and bear interest at rates of 7½% to 10%.

Note D—Stock Options:

Stock option plans authorize the issuance of Common Shares to key employees at not less than the market price on dates of grant. The options become exercisable over a period of five years, beginning one year after date of grant. A summary of the changes in outstanding stock options and the number of shares reserved for future options is as follows:

	Options Outstanding		Shares
	Total Option Price	Number of Shares	Reserved For Future Options
Balance at January 1, 1969	\$1,481,292	71,466	5,840
Reserved			150,000
Exercised	(135,015)	(9,530)	
Canceled	(6,206)	(300)	300*
Balance at September 30, 1969	<u>\$1,340,071</u>	<u>61,636</u>	<u>156,140</u>
Exercisable at September 30, 1969	<u>\$ 609,603</u>	<u>27,729</u>	

Note E—Change of Fiscal Year:

The Corporation changed its fiscal year from December 31, to September 30. For purposes of comparison, the year ended September 30, 1969, includes the results of the previously reported transitional three months ended December 31, 1968 (net sales \$25,967,629; net earnings \$1,912,198).

Note F—Depreciation:

Depreciation for the nine months ended September 30, 1969, for all property, plant, and equipment was computed using the straight-line method. As of January 1, 1969, the Corporation adopted the straight-line method of computing depreciation for financial statement purposes while continuing to use principally accelerated methods for federal income tax purposes. For the year ended September 30, 1969, the effect of this change was to increase consolidated net earnings by approximately \$166,000.

Note G—Pensions:

The companies have several pension plans covering substantially all employees. The total pension expense for the year was approximately \$1,434,000, which includes amortization of prior service cost. The companies' policy is to fund pension cost accrued. The actuarially computed value of vested benefits for certain plans as of their respective anniversary dates exceeded their pension funds by approximately \$1,831,700.

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
Acme-Cleveland Corporation
Cleveland, Ohio

We have examined the statement of consolidated financial position of Acme-Cleveland Corporation and subsidiaries as of September 30, 1969, and the related statements of consolidated earnings, shareholders' equity, and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying statements identified above present fairly the consolidated financial position of Acme-Cleveland Corporation and subsidiaries at September 30, 1969, and the consolidated results of their operations, changes in shareholders' equity, and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (which we approve) in the depreciation method as described in Note F to the consolidated financial statements.

Cleveland, Ohio
November 21, 1969

Einst & Ernst

TEN YEAR SUMMARY

Sales and Earnings

	1969	1968	1967
Net Sales	\$109,827,768	\$109,390,676	\$108,470,330
Earnings Before Taxes	16,207,859	17,629,824	17,304,475
Federal Taxes on Income	8,290,000	8,779,382	8,002,167
Net Earnings	7,917,859	8,850,442	8,997,963
Net Earnings to Net Sales	7.2%	8.1%	8.3%
Earnings per Share	2.05	2.22	2.25
Dividends Paid — Acme-Cleveland	5,949,069	4,941,590	4,514,617

Other Financial Information

Current Assets	\$58,449,567	\$58,726,106	\$58,532,750
Current Liabilities	20,194,447	23,612,285	16,412,771
Working Capital	38,255,120	35,113,821	42,119,979
Shareholders' Equity (Net Worth)	66,909,765	64,801,836	66,403,215
Shareholders' Equity per Share	17.41	16.91	16.57
Property, Plant and Equipment — Net	27,731,116	25,886,891	22,999,108
Capital Additions	5,681,331	6,468,505	6,517,241
Depreciation	3,051,725	3,276,479	2,827,291

General Information

Average Number of Shares Outstanding	3,853,801	3,983,985	4,004,908
Number of Shareholders	8,097	6,883	6,979
Number of Employees — Year-End	5,402	5,414	5,383

The 1969 figures are for the 12 months ended September 30, which includes the transitional 3-month period ending December 31, 1968, which was previously reported. All figures in this report are combined to reflect the merger of The Cleveland Twist Drill Company and National Acme Company in 1968 on a pooling of interests basis. The 1968 figures are for the 12 months ended December 31. Figures for 1967 and prior years are the result of combining the 12 months ended December 31, for National Acme Company with the 12 months ended September 30, for The Cleveland Twist Drill Company.

1966	1965	1964	1963	1962	1961	1960
\$106,046,914	\$85,845,324	\$71,939,581	\$62,447,516	\$62,889,314	\$51,894,039	\$56,633,717
19,861,715	14,707,327	10,964,678	9,143,806	9,000,324	6,045,802	7,197,266
9,177,619	6,749,635	5,040,000	4,652,000	4,576,100	3,060,000	3,954,375
10,684,096	7,957,692	5,924,678	4,491,806	4,424,224	2,985,802	3,242,891
10.1%	9.3%	8.2%	7.2%	7.0%	5.8%	5.7%
2.67	2.01	1.51	1.15	1.13	.76	.83
5,994,599	5,087,693	3,450,188	2,815,717	2,267,872	1,826,000	1,827,200
\$57,996,777	\$52,980,417	\$48,876,201	\$46,331,922	\$43,942,719	\$41,042,136	\$40,421,718
16,383,332	10,449,038	8,897,053	8,458,586	8,125,775	7,695,231	8,153,668
41,613,445	42,531,379	39,979,148	37,873,336	35,816,944	33,346,905	32,268,050
61,545,446	56,802,355	53,468,477	50,830,193	49,076,900	47,048,106	45,888,304
15.41	14.34	13.65	13.02	12.57	12.00	11.69
18,462,677	13,731,357	12,399,017	12,174,116	12,477,429	12,879,945	12,693,890
6,712,255	3,740,508	2,209,154	1,743,344	1,644,144	1,888,979	2,185,968
2,278,132	2,260,767	2,060,937	2,038,064	1,992,137	1,528,256	1,388,567
3,994,938	3,960,358	3,917,470	3,902,794	3,903,332	3,920,000	3,924,000
6,697	6,187	5,534	5,471	5,492	5,587	5,614
5,121	4,598	4,214	3,854	3,850	3,701	3,822

Board of Directors

Arthur S. Armstrong
Chairman of the Board and
Chief Executive Officer

Ralph M. Besse
Chairman of the Board
The Cleveland Electric
Illuminating Company

Carleton Blunt
Counsel to Bell, Boyd,
Lloyd, Haddad & Burns
Chicago

Fred M. Borwell
Vice President

Raymond E. Channock
President

Charles W. Clark
Vice President

W. Paul Cooper
Vice President

*Stephen M. DuBrul, Jr.
Partner — Lehman Brothers
New York

Robert C. Ochs
Vice President
Eaton Yale & Towne Inc.

Jacob B. Perkins
President
The Hill Acme Company

John S. Prescott
Senior Vice President
The Sherwin-Williams Co.

Karl H. Rudolph
President
The Cleveland Electric
Illuminating Company

Earl P. Schneider
Partner
Thompson, Hine and Flory

John C. Stites
Vice President

Arthur O. Willey
Director and
Retired Chairman
The Lubrizol Corporation

Officers

Arthur S. Armstrong
Chairman of the Board and
Chief Executive Officer

Raymond E. Channock
President

W. Paul Cooper
Vice President

Fred M. Borwell
Vice President

Charles W. Clark
Vice President

John C. Stites
Vice President

Thomas M. Skove
Treasurer and
Assistant Secretary

Robert W. Gillespie
Secretary and
Assistant Treasurer

General Counsel

Thompson, Hine and Flory
Cleveland

Co-Registrars

The National City Bank
of Cleveland
Chemical Bank, New York

Co-Transfer Agents

The Cleveland Trust Company
Bankers Trust Company,
New York

Auditors

Ernst & Ernst, Cleveland

ANNUAL MEETING OF SHAREHOLDERS
will be held on January 22, 1970. Shareholders as of December
12, 1969, the record date for the determination of voting power at the
meeting, will be entitled to vote. The notice, proxy statements, and
proxy will be mailed to shareholders on or about December 26, 1969.
R. W. Gillespie, *Secretary*

*Elected to the Board of Directors Nov. 24, 1969





Acme-Cleveland Corporation

P. O. Box 5617 • Cleveland, Ohio 44101